

COMMONWEALTH OF VIRGINIA
VIRGINIA GAS AND OIL BOARD HEARING MINUTES
July 20, 2010

Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board held its regularly scheduled meeting at 9 a.m. on Tuesday, July 20, 2010, at the Russell County Office Complex, Conference Center, and 139 Highland Drive, Lebanon, Virginia.

Board Members present were: Nellie Dye, Mary Quillen (Acting Chair), Bruce Prather, and Bill Harris

Also present were: Sharon M.B. Pigeon, Sr. Assistant Attorney General, David E. Asbury Jr., Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board, Rick Z. Cooper, Inspector for Division of Gas and Oil and Diane J. Davis, Programs Administrator for the Division of Gas and Oil..

1. The board will receive public comments.
Comments were received from
Peter Glubiak
Ronnie Osborne
Catherine Jewell
Mitchell Counts
2. The Board will receive First Bank and Trust's representatives to review and discuss:
 - A. The quarterly and semi-annual report of the Escrow Account.
 - B. The draft recommendations for the Investment Policy for the Escrow Account.

First Bank and Trust Officials Debbie Davis and Karen McDonald appeared and gave an overall review of the account indicating the ending balance was \$25,961,942.31 at June 30, 2009. Gas Operator's payments to the Board have totaled \$1.762 million for the first six months of 2010. Disbursements to claimants from the Board's Escrow Fund totaled \$747,809 for the first six months surpassing four of the past five years in total. The board decided to delay vote on approval of the "State of Investment Policy" until Chairman Lambert and other absent members had a chance to review the changes presented. The "Statement of Investments Policy" will be addressed at the August hearing.

3. The Board will receive an update from staff regarding escrow account activities.
David Asbury presented a monthly and semi-annual escrow account report to the Board:

Quarterly Statement of Account

Wachovia Bank, Escrow Agent for: Virginia Oil and Gas Board (VGOB)	Wachovia						First Bank & Trust Company				
	2004 Year-End	2005 Year-End	2006 Year-End	2007 Year-End	2008 Year-End	2009 Year-End	Through June 30				
							2010 1st Qtr	2010 2nd Qtr	2010 3rd Qtr	2010 4th Qtr	2010 Year-End
1 Beginning Value	8,346,101	10,307,951	\$ 13,049,865	\$ 15,942,163	\$ 18,437,703	\$ 23,983,291	\$24,142,156	\$ 25,647,347			\$ 24,142,156
2 Wachovia Retainage-Transition							815,348				815,348
3 Contributions	2,317,304	2,947,443	3,505,651	2,305,952	5,374,604	2,640,340	987,766	774,562.13			1,762,328
4 Income (net)	37,692	243,151	573,877	570,281	346,885	(25,638)	15,177	16,166.86			31,344
5 Realized Gain / (Loss)	-	-	-	-	-	-	-	0.00			-
6 Unrealized Gain / (Loss)	-	-	-	-	-	-	-	0.00			-
7 Escrow Agent Fees and Expenses	-	-	-	-	-	-	(11,950)	(6,474)			(18,424)
8 Escrow Audit Fees and Expenses								-23,000.00			(23,000)
9 Correcting Entries								0.00			-
10 Withdrawals / Disbursements	(393,146)	(448,800)	(1,187,230)	(380,694)	(252,883)	(1,640,489)	(301,150)	(446,660)			(747,809)
11 Ending Value	10,307,951	13,049,744	\$ 15,942,163	\$ 18,437,703	\$ 23,906,308	\$ 24,957,504	\$25,647,347	\$ 25,961,942	\$ -	\$ -	\$ 25,961,942

- The Board on its own motion will consider corrective testimony regarding **disbursement** of funds for Tract 1-F, Unit AZ100. Docket Number VGOB-03-0415-1139-01. Continued from June 2010.

The applicant will provide an updated supplemental order which will allow the board's disbursement to move forward once the supplemental is recorded. The Board approved the pending disbursement after review and recordation of the updated Supplemental Order.

- The Board, on its own motion, will receive corrective testimony and exhibits regarding a **disbursement** previously approved by the Board for Tract 4, Unit AW-116, Russell County, Virginia. Docket Number 01-0116-0858-01.

The applicant will provide an updated supplemental order which will allow the board's disbursement to move forward once the supplemental is recorded. The Board approved the pending disbursement after review and recordation of the updated Supplemental Order.

- A petition from CNX Gas Company, LLC for Tract 1, the **disbursement** of funds from escrow, authorization of direct payment of royalties to Ms. Connie Davidson and the closing of the Board's escrow account for Unit AA-35, Garden District, Buchanan County, Virginia. Docket VGOB-97-0916-0602-01.

The disbursement was approved by the Board for disbursement and closing of the account.

- A petition from CNX Gas Company, LLC for Tract 4, the **disbursement** of funds from escrow, authorization of direct payment of royalties to Ms. Connie Davidson and the closing of the Board's escrow account for Unit Z-35, Garden District, Buchanan County, Virginia. Docket VGOB-97-0916-0600-01.

The disbursement was approved by the Board for disbursement and closing of the account.

8. A petition from EQT Production Company for **disbursement** of funds and authorization of direct payment for a portion of Tract 3, Unit VC-536504, New Garden District, Russell County, Virginia. Docket Number VGOB-08-0819-2306-02. The disbursement was approved by the Board. The operator is to submit a W9.
9. A petition from EQT Production Company for **disbursement** of funds and authorization of direct payment for Tract 2, Unit VC-536191, New Garden District, Russell County, Virginia. Docket Number VGOB-07-0116-1861-02. The disbursement was approved by the Board. The operator is to submit a W9 and a correction of Tract Identification.
10. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane unit AA-38, Garden and Maiden Springs District, Buchanan and Tazewell County, Virginia. Docket Number VGOB-98-0324-0635-01. Continued from May 2010. Regarding the conflicting claim between Commonwealth Coal and certain Heirs of Walter Short, counsel for the Short Heirs claimed no conflict exists because the severance deed reflected “coal only”. There were no representative present on behalf of Commonwealth Coal to make claim of coalbed methane ownership and support the coal severance deed. The board heard testimony and removed the conflicting ownerships in Tracts 4A and 4D and allowed for direct payment from the gas operator to the Short Heirs. Revised exhibits and title opinion will be submitted by the operator to the Staff of the Board for filing. The petition was approved.
11. A petition from CNX Gas Company, LLC for **re-pooling** coalbed methane unit P-43, Garden District, Buchanan County, Virginia. Docket Number VGOB-00-0321-0777-02. Continued from June 2010. CNX will work with the division office regarding any revisions of the Escrow Unit Accounting and the corrections of the number of acres reflected in historical documents by tracts in escrow. The petition for re-pooling was approved by the Board with escrowing required for Tract 2-B.
12. A petition from CNX Gas Company, LLC for **re-pooling** coalbed methane unit R-42, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0316-0342-02. Continued from June 2010. The petition for re-pooling was withdrawn by the applicant. The unit is now 100% leased.
13. A petition from EQT Production Company for **pooling** of coalbed methane unit VC-536216, Kenady District, Dickenson County, Virginia. Docket Number VGOB-10-0615-2729. Continued from June 2010. Revised exhibits B (all owners), B2 (dismissed parties), B3 (unleased parties) and E (escrowed parties) were submitted by the applicant. The petition was approved by the Board with escrowing required in Tracts 1 through 11.

14. A petition from EQT Production Company for **pooling** of coalbed methane unit VCI-538691, Prater District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2730. Continued from June 2010.
[A revised exhibit E was filed by the Applicant. The petition was approved by the Board. Escrowing is required for Tract 1.](#)
15. A petition from EQT Production Company for **pooling** of coalbed methane unit VCI-531539, Prater District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2732. Continued from June 2010.
[A revised Exhibit B will be filed by the Applicant. The petition was approved by the Board. Escrowing is required for Tract 1.](#)
16. A petition from EQT Production Company for **pooling** of coalbed methane unit VCI-539490, Prater District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2734. Continued from June 2010.
[A revised Exhibit B will be filed by the Applicant. The petition was approved by the Board. Escrowing is required for Tract 1.](#)
17. A petition from EQT Production Company for **pooling** of coalbed methane unit VC-504899, Kenady District, Dickenson County, Virginia. Docket Number VGOB-10-0615-2735. Continued from June 2010.
[The applicant submitted revised Exhibits B, B2, B3 and E. The petition was approved by the Board. Escrowing is required for 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19.](#)
18. A petition from EQT Production Company for **pooling** of coalbed methane unit VC-537187, Lipps District, Wise County, Virginia. Docket Number VGOB-10-0615-2736. Continued from June 2010.
[The applicant submitted revised exhibits B, B2, B3 and E. The petition was approved by the Board. Escrowing is required for 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 18, 19, 20, 21, 22, 24, 25, 26, and 27.](#)
19. A petition from CNX Gas Company, LLC for **pooling** of coalbed methane unit AA-54, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-10-0615-2737. Continued from June 2010.
[The petition was approved by the Board. Escrowing is required for Tracts 2A and 2B.](#)
20. A petition from CNX Gas Company, LLC for **re-pooling** coalbed methane unit Z-56, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-09-0616-2525-01. Continued from June 2010.
[The applicant submitted Revised Exhibits A, Pg. 2, B2, B3 and E. The petition was approved by the Board. Escrowing is required for Tracts 3 and 4.](#)
21. A petition from CNX Gas Company, LLC for modification of the Middle Ridge I Field Rules to allow for the drilling of an additional well in units AV134, AV141-AV152, AW134, AW143-AW146, AW148-AW150, AX141, AX146, AY140-

AY145, AZ138, AZ142, AZ143, BA134, BA138, BB134-BB137, BC136, BC137, BD137, Tazewell County, Virginia. Docket Number VGOB-00-1017-0835-08. Continued from June 2010.

The Board heard testimony from the applicant and objections from Catherine Jewell regarding ownership of 2.115, 0.56 and 0.22 acres in unit AW146.

After discussions, the petition was approved by the Board.

22. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530285, Sandlick District, and Dickenson County, Virginia. Docket Number VGOB-10-0615-2741. Continued from June 2010.

The petition was approved by the Board.

23. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530281, Ervinton District, and Dickenson County, Virginia. Docket Number VGOB-10-0615-2742. Continued from June 2010.

The petition was approved by the Board.

24. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530279, Ervinton District, and Dickenson County, Virginia. Docket Number VGOB-10-0615-2743. Continued from June 2010.

The petition was approved by the Board.

25. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530237, Kenady District, and Dickenson County, Virginia. Docket Number VGOB-10-0615-2744. Continued from June 2010.

A revised signed plat will be submitted. The petition was approved by the Board.

26. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530216, Ervinton District, and Dickenson County, Virginia. Docket Number VGOB-10-0615-2745. Continued from June 2010.

The petition was approved by the Board.

27. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 281 VA Unit A-43, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2746. Continued from June 2010.

The petition was approved by the Board. Escrowing is required for Tracts 1, 2 and 3.

28. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 437 CBM Unit C-38, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2747. Continued from June 2010.

The petition was approved by the Board. No escrowing is required.

29. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 429 CBM Unit D-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2748. Continued from June 2010.

The petition was approved by the Board. Escrowing is required for Tract 2.

30. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 432 CBM Unit D38, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2749. Continued from June 2010.
The petition was approved by the Board. No escrowing is required.
31. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 213 VA Unit ZZZ-36, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2750. Continued from June 2010.
The petition was approved by the Board. Escrowing is required for Tracts 3 and 4.
32. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 212 VA Unit ZZZ-37, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-10-0615-2751. Continued from June 2010.
A revised exhibit DD will be submitted by the applicant. The petition was approved by the Board. The petition was approved by the Board with escrowing for Tract 2.
33. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane unit Q-43, Garden District, Buchanan County, Virginia. Docket Number VGOB-00-0321-0779-03.
Applicant requests a continuance to August 2010.
34. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane unit P-42, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0316-0341-02.
The petition was approved by the Board. No escrowing is required. This unit was paid out in February 2003. Account payments and tracking information for the revised payout of Escrow will be provided to the Staff of the Board for filing.
35. A petition from CNX Gas Company, LLC for **re-pooling** of coalbed methane unit AA-10, Prater & Hurricane Districts, Buchanan County, Virginia. Docket Number VGOB-90-0905-0012-01.
The petition was approved by the Board. Escrowing required for Tract 3.
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The following items will be continued to the August 17, 2010 hearing:

36. A petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit Q-42, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0326-02. Continued to August 17, 2010.
37. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit S-42, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2753.

Continued to August 17, 2010. The applicant withdrew the petition.

38. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AW-146, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-10-0720-2754. Continued to August 17, 2010.
39. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit ZZZ-25, Garden & North Grundy Districts, Buchanan County, Virginia. Docket Number VGOB-10-0720-2755. Continued to August 17, 2010.
40. A petition from CNX Gas Company, LLC for establishment of 240 acre horizontal coalbed methane drilling unit, location exception and pooling for Unit I17, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2756. Continued to August 17, 2010.
41. A petition from EQT Production Company for pooling of Horizontal Conventional Gas Unit VH-539909, Roberson District, Wise County, Virginia. Docket Number VGOB-10-0720-2757. Continued to August 17, 2010.
42. A petition from EQT Production Company for pooling of Horizontal Conventional Gas Unit VH-531021, Roberson District, Wise County, Virginia. Docket Number VGOB-10-0720-2758. Continued to August 17, 2010.
43. A petition from EQT Production Company for pooling of coalbed methane unit VCI-538130, Prater District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2759. Continued to August 17, 2010.
44. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2760, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2760. Continued to August 17, 2010.
45. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2761, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2761. Continued to August 17, 2010.
46. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2762, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2762. Continued to August 17, 2010.
47. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2763, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2763. Continued to August 17, 2010.
48. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2764, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2764. Continued to August 17, 2010.

49. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2765, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2765. **Continued to August 17, 2010.**
50. A petition from EQT Production Company for the establishment of a 320 acre horizontal conventional drilling unit, EQT 2766, Gladeville District, Wise County, Virginia. Docket Number VGOB-10-0720-2766. **Continued to August 17, 2010.**
51. A petition from EQT Production Company for modification of the Nora Coalbed Gas Field to allow one additional coalbed gas well to be drilled within each of the 58.77 acre Nora Units identified as BC50, BC51, BD49-BD51, BE48-BE51, BF47-BF54, BG46-BG53, BH49, BH51, and BI49-BI52, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-66. **Continued to August 17, 2010.**
52. A petition from EQT Production Company for modification of the Nora Coalbed Gas Field to allow one additional coalbed gas well to be drilled within the 58.77 acre Nora Unit identified as BN89, Russell County, and Virginia. Docket Number VGOB-89-0126-0009-67. **Continued to August 17, 2010.**
53. A petition from Range Resources-Pine Mountain, Inc. for establishment of a drilling unit and pooling of conventional well unit V-530229, Kenady District, Dickenson County, Virginia. Docket Number VGOB-10-0720-2767. **Continued to August 17, 2010.**
54. A petition from Range Resources-Pine Mountain, Inc. for establishment of a drilling unit and pooling of conventional well unit V-530212, Kenady District, Dickenson County, Virginia. Docket Number VGOB-10-0720-2768. **Continued to August 17, 2010.**
55. A petition from GeoMet Operating Company, Inc. for re-pooling coalbed methane unit 279 VA YYY-36, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-09-0217-2465-01. **Continued to August 17, 2010.**
56. A petition from GeoMet Operating Company, Inc. for re-pooling coalbed methane unit 290 VA B-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-09-1020-2610-01. **Continued to August 17, 2010.**
57. A petition from GeoMet Operating Company, Inc. for re-pooling coalbed methane unit 433 VA C-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-1114-1804-01. **Continued to August 17, 2010.**
58. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 287 VA A-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2769. **Continued to August 17, 2010.**

59. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 285 VA A-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2770. **Continued to August 17, 2010.**
60. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 288 VA B-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2771. **Continued to August 17, 2010.**
61. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 214 VA YYY-37, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-10-0720-2772. **Continued to August 17, 2010.**
62. Approval of the June 2010 minutes.

The minutes were approved.

The meeting adjourned at 4:35 p.m.